



Demystifying Strategy Execution:

The Critical Drivers

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Formulating strategy is challenging, but translating strategy into reality is often even more difficult. Regularly cited as a top CEO priority, execution has emerged as the key to achieving superior business results.

Unfortunately, the majority of organizations fail to effectively implement strategic initiatives, by their own admission. A five-year Harvard Business Review study, involving 125,000 executives representing more than 1,000 companies from 50 countries, found that three out of every five employees considered their organizations weak at execution. The impact is profound. Research reveals that companies achieve a fraction of the financial results envisioned during the strategy's development.

Going forward, today's leading organizations recognize superior strategy execution as the number one business opportunity, but there is little consensus on how to make it happen.¹

Strategy Execution: People Make all the Difference

Strategy execution starts with people. It is not the result of a solitary employee decision or action, but the consequence of a series of coordinated, enterprise-wide decisions and actions occurring over time.² Strategy execution must be comprehensive and involve the entire organization from the executive suite to the front line.

How Big Is the Challenge?

On average, companies deliver **63%** of the **financial performance their strategy promised.**

- Harvard Business Review

57% of firms **failed to execute strategic** initiatives over the past three years.

- An Economist Survey

Just **3%** of executives believe their companies are successful at execution.

- An AMA Survey

80% of C-level executives believe the ability to successfully execute is **nearly impossible to achieve.**

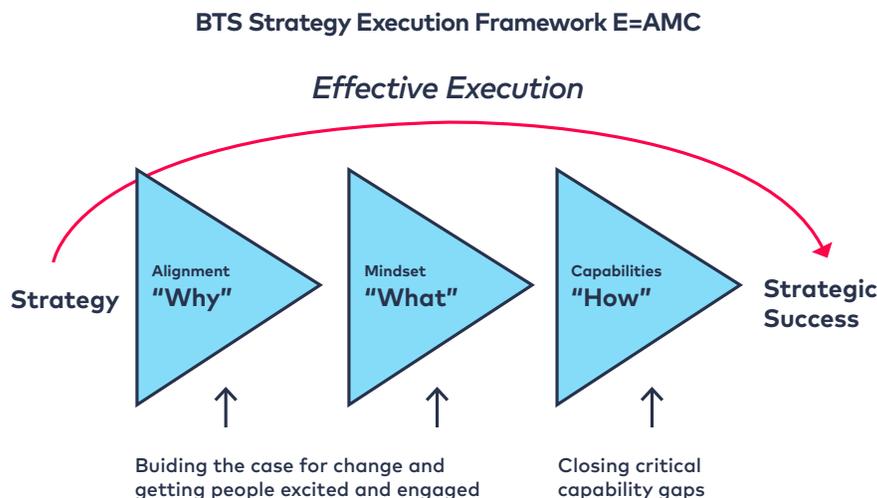
- Get it Done! A Blueprint for Business Execution

"Good execution over strategy separates leaders from players in the marketplace. It is in execution where you succeed or fail."

- Andrew Penn, the former Chief Executive Officer at AXA Asia Pacific

After over twenty five years of experience working with leading companies, BTS has developed the E=AMC Strategy Execution Framework capturing the critical components of execution: Alignment, Mindset and Capability. Companies working with these components in a thoughtful, comprehensive and high-impact manner are able to achieve exceptional strategy execution. To truly maximize business results, it is important for leaders to effectively optimize alignment, mindset and capability by focusing on the three key drivers within each component.

So what are the critical drivers of effective strategy execution?



"The BTS simulation created an exciting communication platform that allowed me to quickly align KimberlyClark's senior team around enterprise value creation."

- Thomas J. Falk, CEO at Kimberly-Clark

Alignment

Nearly any leader would accept that execution starts with strong alignment to the company's future direction and key strategic priorities. Yet, 49 percent of executives fail in communicating a clear vision for the company's long-term success.³ Considering this reality, it's no surprise that today's leaders struggle to build alignment around the company strategy and define what makes it distinctive.

To achieve successful strategy execution, employees need a thorough understanding of:

- **What is the strategy?** – It is essential that people understand the overall direction of the company and key strategic initiatives.
- **Why it is important?** – Employees need to recognize the context of why the strategy was formulated. This includes an understanding of changing customer needs, competitive pressure, regulatory constraints, and more.
- **How will it be implemented?** – The organization needs to know how the strategy will become a reality. It is particularly important that they understand their role in its execution, who else is involved, the process and the timing, and how to balance short vs. long-term priorities.

"We teamed up with BTS to help 160 GE Healthcare leaders increase their capabilities in the domains of innovation, decision making, and change management. The customization of the BTS learning process was a critical enabler of our success"

- Bob Cancalosi,
Chief Learning
Officer at GE
Healthcare

Driving awareness, understanding and clarity to these three drivers of alignment seems relatively straightforward. However, many companies typically rely on traditional communication methods- leadership off-site conferences, town hall meetings, company newsletters, virtual conference calls- all which fail to maximize impact.

Capability Development

Companies that excel in execution invest heavily in building necessary skills and capabilities. Organizations budget on average more than \$130 billion annually for formal corporate learning and development activities. And this investment is only expected to increase going forward.⁴

A diverse range of capabilities are necessary for strategy execution. Here's the surprise: There are a few capabilities that, when broadly developed, accelerate execution and deliver rapid business results. These include, but are not limited to:

- **Business Acumen and Decision Making** – It is important that employees have a deep understanding of how the company makes money. Business acumen includes the drivers of profitability and cash flow, a market focused approach to the business, and an overall big picture understanding of the business and its interrelationships.
- **Management and Leadership Skills** – To accelerate execution within their area of the business, leaders need to effectively align, motivate and develop their people. This includes foundational leadership skills as well as deep expertise in developing talent, performance management, coaching, feedback and more.
- **Sales Skills and Focus on Accelerating Customer Results** – It is essential that sales organizations have the capability to articulate the company's value proposition, what it means to the client, and how it will enable them to succeed.

Though large organizations typically invest heavily in capability building, the initiatives often fail to deliver the intended results. Fortunately, companies are taking measures to improve effectiveness by more closely linking learning to strategic priorities and leveraging high-impact experiential learning methods. Gartner, Inc., the world's leading information technology research and advisory company, predicts that going forward, "High-performing enterprises will shift 50 percent of development spending from training to experiential learning programs to boost people's effectiveness."⁵

Chevron has truly been ahead of the curve in working with innovative approaches to develop their key talent. To accelerate the development of its high-potential leaders, Chevron leveraged a highly realistic customized business simulation, enabling participating employees to practice execution in a risk-free environment. Nigel Hearne, the Vice President of Strategy at Chevron, reflected, "The program enabled participants to think more strategically, broadened their enterprise perspectives, built financial acumen, and provided an external focus and understanding of geopolitical decisions, competitive dynamics and customer and investor expectations. Most importantly, they had the opportunity to practice and learn in context of the company's business and strategic priorities."

Mindset

The missing link in the execution equation, mindset is perhaps the most important, but also the most challenging driver of execution. Research has shown that effective strategy execution requires tremendous personal commitment among employees. The right mindset around the company's direction and strategic priorities delivers real business results. According to a study conducted by Corporate Executive Board, employees committed to the organization give 57 percent more effort.

This is well understood by today's executives. Robert Ulrich, the former Chairman and CEO at Target stated, "It's not rocket science, but people need to be motivated. It's a more difficult strategy to execute if you're not." However, building mindset among tens of thousands of employees is a tremendous challenge for executives leading large, complex corporations.

The following are the three critical drivers of mindset:

- **Belief** – Employees in the organization believe that the strategy is the right way to go and that the organization can actually achieve it.
- **Passion** – Employees are confident that the strategy is going to make a difference for the company, the customer and themselves.
- **Urgency** – Employees have a sense of urgency and understand that if they do not make the strategy a reality, it will compromise the future of the business. Execution must be a priority.

An employee engagement survey may be necessary to detect when organizational mindset is not at the right place for successful strategy execution. Or you may already be aware and hear it coming: when managers say that connecting with their direct reports is a distraction from tasks; when teamwork shifts from collaboration to transaction; when communication goes from live conversations to exchanging staccato yelps of digital information via email or texting. The opportunity is to consider which of the three drivers of mindset may be at risk in any given strategic initiative, and what actions can preserve or strengthen mindset before executing the strategy.

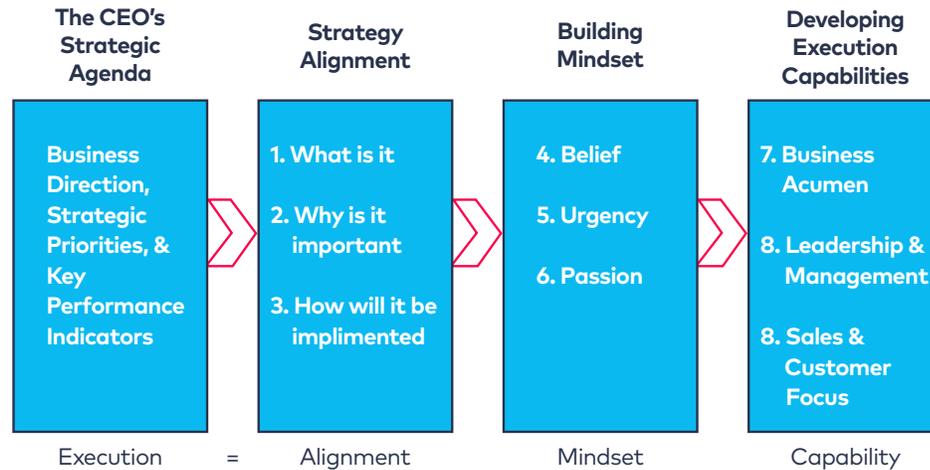
Challenged to develop alignment, mindset and capability, leading companies are increasingly turning to experiential learning and business simulations. Bob Johansen, Distinguished Fellow Institute for the Future, stressed, "Immersive learning, experiential learning, is the pedagogy of choice, because it's not just a fixed body of knowledge that you want to transfer. It's a whole contextual set of lessons that you have to learn at the muscle memory level to make them real."

Case in Point: Translating Strategy to Execution

Applying the Strategy Execution Framework at Nike

Facing increased competition and challenged to grow market share, Nike is making a strategic shift to build an even stronger retail organization. Though the company had consistently grown its earnings over the past few years, management believes the key to future success begins at the storefront, where consumers experience

The 9 Components of Effective Strategy Execution Breaking Down E=AMC



the brand up close and personal. To help transform the new company strategy into reality, store managers (known as Nike Head Coaches) and district managers needed to gain alignment and effectively develop people, improve consumer experience, and drive sales and profitability.

Nike partnered with BTS to create two fully customized simulation-based programs that accelerated the execution of Nike's retail strategy and built the capabilities critical for success. In the competitive [business simulation](#) program, teams of participants were challenged to balance priorities, react to unexpected events, and make trade-off decisions as they executed their brand strategy. Through the dynamic experience, participating employees developed deep alignment around the company strategy, gained the capabilities critical to execution, and became truly engaged in making the strategy reality.

The impact of the program is already showing tangible results. Fifty-one percent of Nike Head Coaches indicated a deeper understanding of the store levers and another forty percent indicated a shift in mindset to wanting to own the experience at the store and its resulting performance. District managers' reactions were even stronger: Seventy-one percent noted a deeper understanding of how to pull the different levers to help improve the customer experience and drive sales, and Fifty-seven percent cited improved capabilities for analyzing, filtering, and prioritizing information. In one case, store revenue increased 22 percent based on the changes implemented by the Nike Head Coach upon returning from the program.

Execution = Results

Companies around the globe are transforming themselves strategically more than ever before and the stakes are high. Organizations across industry sectors are finding tremendous value in the E=AMC Strategy Execution Framework. To maximize the results of any strategy, the nine critical drivers within Alignment, Mindset, and Capability prove critical. "The experience allowed our top 500 leaders to not just see the new strategy, but to practice making our strategy and vision a reality," reflected Todd Nielsen, VMware Co-President.

Ultimately, companies can achieve faster, better results when employees are aligned to the strategy, have the right mindset to approach execution with a sense of urgency and purpose, and have mastered the capabilities needed to execute.

About BTS

BTS focuses on the people side of strategy, working with leaders at all levels to help them make better decisions, convert those decisions to actions and deliver results. At our core, we believe people learn best by doing. For 30 years, we've been designing fun, powerful experiences™ that have profound and lasting impact on people and their careers. We inspire new ways of thinking, build critical capabilities and unleash business success. It's strategy made personal.

For more information, please visit www.bts.com.

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